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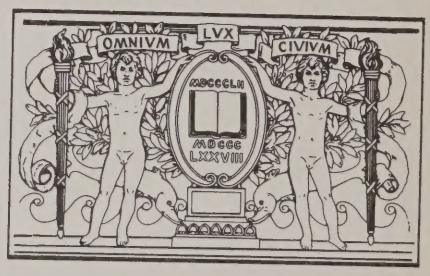

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Review and Critique of the Metropolitan Area Planning Council Report, Future Employment Location in Greater Boston: 1980-2010

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December 6, 1982

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Review and Critique of the Metropolitan Area Planning Council Report,
Future Employment Location in Greater Boston: 1980-2010

A. Introduction

The employment projections for the Boston Region, as prepared by the Metropolitan Area Planning Council, are not in line with the future economic prognoses for the area, nor for the City of Boston and some of the other component cities and towns. Based upon a review of historical trends, current events, and future economic prospects there are solid reasons to offer another view of the regional economy and an alternative projection to the MAPC employment forecast.

All long-term projections include both statistical data and a healthy measure of assumptions about the past, present, and future trends--both those detailed factors in an economic model and the more general economic events which support them. The MAPC forecast methodology seems to be both reasonable and comprehensive. However, according to a review of the data, methodology, and assumptions, the MAPC forecast is actually about the lowest one that could be derived. A different view of the economic assumptions about population, labor force participation, and economic demand would change the elements influencing economic growth within the model, as it is, to yield a more favorable outlook for employment growth in the Boston region.

The two employment forecasts of MAPC and BRA are widely different:

	MAPC Regional Employment Gain 1980-2010	Boston Employment Gain 1980-2010
BRA Forecast	+445,000	+150,000
MAPC Forecast	+150,100	+ 37,900

Using the changes suggested in this note as an alternative, the MAPC projections can be modified to a regional employment gain of 275,000 and a 100,000 Boston employment rise over thirty years. While this result does not achieve the previous BRA projection levels which are based on such other probable additional factors as a growing population, it may be more reasonable than both the MAPC "revised" employment forecast and the BRA high-growth scenario. BRA economists believe that there are a vast array of general and specific economic reasons, supported by other academicians, professionals, and practitioners, as a basis for modifying the MAPC forecast of the future of the Boston area economy.

This paper is a critical review of the MAPC projections covering (1) the general trends supporting a different view of the future of the regional economy, (2) the specific factors in the model that would change the outcome of the forecast, and (3) a discussion of the necessity for including local input about economic trends, current development activities and existing growth policies of the individual cities and towns of the MAPC region.

B. There Are Various Sound Economic Factors Which Support A Higher Rate of Employment Growth for the Boston Area and the City Over the 1980-2010 Period

The general economic trends of the last decade provide a newer perspective from which to view future trends of the regional economy. A case in point is the analysis and projection of the recently issued report (October 1982) of the Massachusetts Division of Employment Security, entitled Massachusetts Employment: Projected Changes 1980 to 1990. According to this report "The Massachusetts economy changed greatly during the 1970s, with growth rates in the latter part of the decade exceeding all economic forecasts. Much of this growth was due to the fast-paced high technology industries and to the greater importance of service-related industries. The 1980s will see continued expansion in these industrial sectors....employment in Massachusetts is expected to increase....(by) more than 317,000 jobs during the 1980-1990 projection period....a growth rate of twelve percent....Of the major industrial divisions, services is the most dominant sector of the Massachusetts economy....The services industry.... has a commanding 44 percent share of projected wage and salary employment growth to 1990....".

In short, the basic theme is that a changed economic structure and the improved comparative position of the Boston area economy on several key issues (such as relative costs and economic advantages) supports a more favorable treatment of some of the critical factors influencing the size and direction of future economic growth. Prior to the early 1970s, the regional economy had a tendency to grow at smaller rates during "boom" periods and decline at large rates during "bust" periods in the economy. Since that time, this pattern has not been valid. The fundamental reason is the emergence of a newer, more vigorous economic base. In addition, relative energy costs, labor costs and taxation have grown less important as hindrances to growth through the 1970s. As a whole, these influences have changed the outlook for the 1980s and beyond.

1. Future growth prospects are now more favorable for the Boston area than at any time during the past fifty years.

   a. National Economy. The long-term outlook for the U.S. economy is for a thrust of growth in the high-technology manufacturing, communications/information services, and business, professional, and financial services industries.

   b. Regional Economy. The economies of New England and the Boston metropolitan area show an improved relative economic position with regards to the national economy and those of other regions. Regional employment growth in the decades following 1980 should more closely approach the faster national rates.

c. Boston's Economy. There has been a gradual but persistent shift in the historical growth rate of Boston. Historically, the rate of employment growth has been moderate for the SMSA and low for Boston. However, trends since 1975 show an acceleration.

The detailed industry composition of employment reveals why this recent growth has occurred. There is a greater share in services and fast growing manufacturing and a lesser share in declining industries. Thus the economic structure is leaner and more dynamic than in the past. It is likely that the metro area and Boston have reached a threshold that makes gains more likely. Many of the vestiges of the older, declining industrial base are gone or substantially reduced.

During the past ten years the changes in the structure of the City economy reveal trends favoring growth. These include a more modern economic structure, the shrinking base of declining industries, recent public and private investment, and City policies toward encouraging downtown growth and upgrading neighborhood commercial, business activities. Demographic trends indicate a greater number of young professional residents who live and work in the City for reasons of job attraction, convenience, cost, and life-style preferences. A large resource of available, semi-skilled labor in the City is an attraction to industry that needs an available competitive work force for expansion or start-up of business. The City is the prime location for services activity jobs requiring a central location, close proximity to other complementary activities, and an existing, developed public infrastructure in an era of high building costs, concern about the environment, and energy conservation. Another plus is the large investment during recent years by public agencies in improved capital infrastructure and by private industry in new and re-usable buildings assures employment growth. The existence of transportation networks (mass transit, highways, port, freight, and air terminal systems) is an additional important feature of business location, especially for labor-intensive firms.

2. Recent events give a specific means of determining the size and direction of Boston's economic Growth. In the City, projects proposed, planned, and underway are scheduled to create nearly 80,000 jobs over the next ten years. If we consider that some of these jobs will replace others and that some will only make up for losses by declining industry, there still would be at least 40,000 net new jobs in Boston by 1990. This use of actual development activity is a more direct means of viewing the future and shows that Boston's job growth in

ten years is likely to match the MAPC thirty-year forecast (37,900).

Contrary to the MAPC disclaimer, the employment growth experience of the industries located in office space--transportation, communication, utilities, finance, real estate, insurance, and professional and business services shows that there is a correlation between development and jobs created.

C. A Detailed Review of the MAPC Forecast Reveals That Their Ranges of Labor Supply and Economic Demand for the Region Produces A Future Growth Path That Is Too Low. The Slight Change of Several Key Points in the Methodology and A More Careful Assessment of Current and Future Economic Issues Yields A Stronger Growth Trend Which Is More Consistent With the Economic Factors Previously Outlined.

Another area of specific changes in the MAPC economic forecast model that would improve the thirty-year employment picture is the modification of the limits or ranges set for economic supply and demand. By adding the presently available labor supply (the unemployed) to a slightly growing population and a labor force participation rate consistent with (not below) national forecasts, the future labor supply actually should be higher than the top BLS labor force projection of 153,000. Use of the middle or higher employment trend forecast of BEA-OBERS economic model, a step consistent with views of a leading BEA economist, would also project a large range of future growth. These two critical elements of the thirty-year projection used by MAPC to set the limits and define future employment growth changed in a small way would yield a possible addition of 100-125,000 jobs to their forecast of 150,100. Such a result would stem from minor changes in the model supported by the factors stated above.

1. Economic Demand. MAPC uses the BEA-OBERS employment projections as the basis for metropolitan growth potential, 1980-2010. These projections, incorporating information available only through 1978, should now be replaced by the MAPC. The more up-to-date projections of the Massachusetts Division of Employment Security, cited earlier, with information through 1982, should be used instead. These are more sensitive to the fundamental changes that have occurred in the State's economic structure, and have a greater detail on those services activities so important to the Boston area.

   a. The three alternatives in the BEA model are not rigid predictors of future employment growth. A director of the BEA project stated that the New England region projections understate future trends primarily because it uses a base period (1968-1978) dominated by the recessions of the early 1970s as a historical trend relation to the U.S. economy extrapolated to the future

years. Thus, the lowest BEA alternative should only be the bottom level baseline, not a limit to growth. Either a longer time frame of reference (1960-1980) (as used by DES) in employment trends incorporating both good and bad economic times or a more careful assessment of recent (1978-1981) employment trends would forecast greater growth in the future.

b. MAPC indicates that BEA's "closed system" of state econometric modelling may overstate growth for the Boston region. This is meant to show that Boston's newer high-tech industries will decline due to regional and foreign competition. BRA believes that high-tech is at an early stage of growth, not as advanced as when textiles and apparel moved South and then overseas after over fifty years in New England.

c. Much of MAPC's argument about low-moderate employment growth is couched in the idea that older declining industries' losses will cancel out many gains in the growing industries during both periods of boom and recession. However, the remaining pool of jobs in these industries is, by now, too small to sustain the continued losses they project.

d. The recent emergence of the broad-based services as the fastest-growing sector in the economic base is not adequately factored into the future outlook for employment growth by the MAPC.

e. Other influential economic factors influencing employment growth are not largely taken into consideration by the MAPC. These include the area's improved tax climate, business environment, labor situation, cost factors, and site availability.

In summary, MAPC's demand side employment forecast for the Boston area, by neglecting to weigh many of the more favorable growth factors due to recent changes in the economy, is a low scenario for future employment growth, which does not reasonably reflect more likely economic prospects.

2. Economic Supply. As a measure of supply, MAPC uses available labor force as the sole source of and limit to growth, 1980-2010. This range is derived from Bureau of Labor Statistics labor force projections and MAPC population forecasts. Labor force size constraint is the primary reason for the low employment forecast in the Boston area. There is a solid basis for setting the labor force growth at a greater level than the MAPC range.

a. BRA forecasts growth in population due to slight gains in both natural increase (native births-deaths) and migration into the region. Forecasting even a small

growth would raise the potential future available labor supply. There are valid reasons for forecasting in-migration. The 1970s experience showed a mild but steady increase in Asians, Hispanics, Caribbeans, and other foreign groups into Boston. In addition, the New England region was unlike other northern and midwestern regions in that there was a net balance or slight in-migration of population from other areas of the U.S. Also, given a growing economy, the region might become increasingly more attractive to in-migrants. These facts point to the trend of a mildly growing Boston area population.

b. The other constraint to labor force growth is the limit to the upward trend of labor force participation rates projected by the MAPC. There is no valid argument to support a diminishing trend in labor force participation. The increasing rate can continue given the room for expansion in still lower participation rates of women and minority groups. Thus, the labor force participation rates rise should be <u>equal</u> to national rates of increase.

c. A third factor of labor supply, <u>totally overlooked</u> by MAPC, is the <u>existing</u> pool of unemployed labor. As of July 1982, with an 8.1 percent unemployment rate in the Boston SMSA, there were 120,900 unemployed persons in the area. Adjusting for the larger MAPC region, this total was 130,400. Assuming a "full employment" economy with four percent unemployment, then there are 65,200 people right now as an <u>existing</u> labor supply in search of and willing to work. This total is already <u>one-half</u> of MAPC's total labor force projection over thirty years through the year 2010. It should be noted that this higher number of unemployed persons, 1980-1982 existed <u>even with</u> continued employment growth. Given this fact, use of 1982 unemployment data is justified when reviewing the MAPC forecast based upon 1980. Thus, MAPC's forecast of labor supply growth, 150,100, is very small and unreasonable given current and future trends.

d. The other factors of economic supply--land and capital--are only marginally considered.

D. <u>MAPC's Employment Forecast Does Not Include Very Much Input From Cities and Towns Regarding Local Economic Characteristics, Current Development Activities, and Growth Policies</u>

1. The economic conditions in many of the cities and towns in the Boston region have improved over the past ten years. Employment growth reflects such changes in tax rate positions, business climate, relative labor costs, industrial structure, investment, land availability, and other facts. These

economic conditions need to be considered as influences on growth.

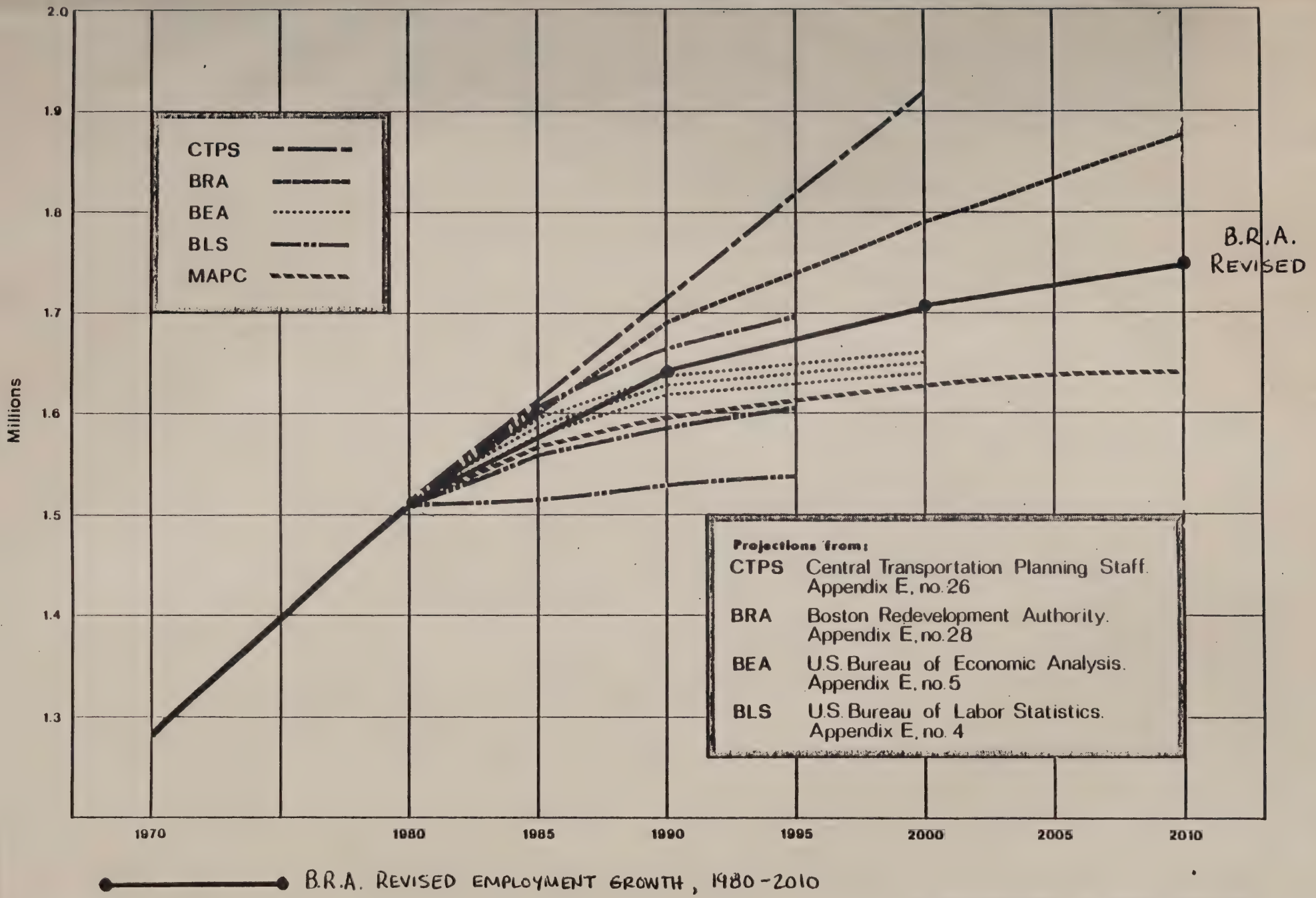
2. Current development activities in many of the larger cities and towns have stimulated growth which will lead to more jobs and increased economic opportunity. Examples:
   - Boston (Downtown, Charlestown Navy Yard, East Boston, Army Base--EDIC, etc.).
   - Cambridge (Kendall Square, Harvard Square, Red Line MBTA Extension.
   - Quincy (Office Park, Shipyard).
   - Route 128 (continued expansion).

3. There was an increased concern with planning, promoting, and guiding development in many cities and towns in the 1970s. The strong record of economic growth in the 1976-1981 period reflects this.

4. As a final point, the MAPC projections must, to some extent, reflect the possible economic future of the Boston metropolitan area as the cities and towns would like to see growth occur. Employment in Boston represents one-third of that in the Metro Region.

Figure 4

EMPLOYMENT: MAPC REGION HISTORICAL & PROJECTED



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